

CONFIDENTIAL

February 26, 1962

ALLIANCE FOR PROGRESS STRATEGIC STUDIES GROUP

General Statement and Questionnaire

The following paper is composed of three parts.

Part I is an introduction, sketching the general concept of the exploration, the procedure, and the general lines of the final product.

Part II focuses on the changing power structure, the political process, and other aspects of politics which both are affected by the economy and set limits to the types of development policies which in fact can be adopted.

Part III sets out to identify the critical development decisions confronting the country as shaped by its development capacity and requirements and to define them in a form that will permit an evaluation of their political implications.

S/P:WHWriggins/JFried/DRaynolds:cgw

State Department review completed

CONFIDENTIAL

CONFIDENTIAL

-2-

STRATEGIC STUDIES GROUP: Alliance for Progress Studies

I. INTRODUCTION

Our over-all foreign policy objective is to induce expanded productivity, social reform, and the growth of political institutions which together will ease the transition of Latin American countries into more productive, just and politically durable societies, less vulnerable to Castro-type takeovers from the extreme Left or subject to brittle, oligarchic rule of the extreme Right.

A. Basic Policy Problems in the Alliance Context.

Our problem is to seek to identify as precisely as we can the areas in the economic, political and social structure and processes of the Alliance countries which are currently of strategic importance for maintaining and accelerating their total development efforts. Within such areas we are concerned with identifying where and how U. S. policy can have the maximum leverage. While we have in mind here primarily aid policy, it is the total of U. S. policy instruments that must be considered in the assessment of our power to influence the situation. This would include trade policy, traditional diplomacy, and other forms of direct and indirect actions that may be open to us. We would expect to give maximum support to those countries who appear to be genuinely committed to the economic and social development objectives of the

Alliance,

CONFIDENTIAL

CONFIDENTIAL

-3-

Alliance, and to seek to induce countries in the Alliance which give little indication of such commitments to move in this direction. The problem in its most general terms can be stated very simply: (a) how do we get things moving toward our objectives; and, (b) where countries are already fully engaged in the development process, how can we maximize the leverage we may have through AID and other instruments of our Foreign Policy in furthering the development of societies that are more resilient to necessary change and more "open".

More particularly we seek answers to the following questions:

- (1) How can we identify those measures of reform and self-help which are of the highest priority in the short run and over the longer run for development and for the easing of political tensions.
- (2) How can we assess the extent to which we can appropriately induce such self-help and reform measures?
- (3) What sorts of economic or other U. S. policies are required to encourage the development of a framework of reasonable political order and continuity within which needed changes can take place?
- (4) How much short run stability can be risked on behalf of changes known to be necessary in the middle run?

B. Nature of the Questionnaire.

The following paper consists of a set of questions and a framework  
of

CONFIDENTIAL

CONFIDENTIAL

-4-

of inquiry designed to elicit information and judgments concerning important political, social, military and economic variables in each of the countries to be studied. Many of the questions raised concern matters that may bear on each country in a unique way. However, in the allocation of foreign assistance, comparisons among countries are an important ingredient of improved decision-making. Therefore some questions raised are specifically intended to elicit quantitative or qualitative responses as the basis for comparison among countries.

C. The Strategic Studies Group.

The Strategic Studies Group is composed of carefully-selected officers with intensive Latin American experience. Each has been assigned to a country to study in a strategic Alliance context. In the first phase  
of

CONFIDENTIAL

CONFIDENTIAL

-5-

of the study, the questionnaire and framework should assist each officer in making a detailed survey of Washington knowledge concerning his country on the basis of which a preliminary draft paper would be prepared. The U. S. mission in the field will receive copies of the questionnaire early in March for information purposes.

In the second phase in April, each officer will visit the country under scrutiny to elicit Mission views on the draft paper and an appropriate country strategy. Upon his return, he will combine the results of the first two phases with recommendations for a country strategy. The completed paper will be delivered to the Policy Planning Council for review and referral to AID and the geographical bureau concerned.

Throughout its operations, the Strategic Studies Group will be assisted by officers in the Department of State and other agencies under procedures coordinated by the Policy Planning Council.

D. An Approximation to the Final Product.

It is probable that the final paper on each country will be shaped according to the following general scheme:

Part I - Economic-Political Profile of a Country

- locating the country in terms of its level of economic

and

CONFIDENTIAL

CONFIDENTIAL

-6-

and social development and the characteristics of its political system. Socio-economic quantitative data will be included as possible, as well as qualitative discussions of key elements in economic dynamics such as the entrepreneur, degree of urbanization and other institutional features relevant to both economic growth and political viability.

Part II - The Past Decade in Broad Sweeps

- a broad brush treatment of important socio-economic structural changes over the past decade in terms of mobilization of resources, obstacles to continued growth, balance of payments, etc. and political trends in the shifting distribution of power and changing or persisting political practices.

Part III - Major political and social tensions and their economic sources and consequences

- an analysis which draws together the economic and political data analysed in I and II, focusing on:

- (a) the forces which threaten the development of a framework of reasonable political order and continuity within which necessary changes can take place;
- (b) the threats to financial and economic stability and growth as these interact with politics.

Part IV

CONFIDENTIAL

CONFIDENTIAL

-7-

Part IV - Political Problems and Basic Development Decisions

- an analysis of the basic development decisions facing the country and the political imperatives working toward such decisions and the political impediments to their adoption and implementation.

Part V - Alliance Reforms and the Political Context

- a more specific analysis of those measures which are called for under the Alliance program as these relate to the country's requirements and political capabilities.

Part VI - A US Strategy

- Resulting from the foregoing analysis, an inclusive US strategy would be proposed, defining specific planning targets for all aspects of U. S. foreign policy in relation to these countries.

II. THE POLITICAL ELEMENTS

A. Present Realities of Socio-Political Power.

1. Individuals: (These questions are posed due to the strong personalismo factor so important in Latin American societies.

a. Who

CONFIDENTIAL

CONFIDENTIAL

-8-

a. Who now has effective political power? On what groups do they depend for indispensable political support? What special regional, economic, cultural and class groups back them? Which of these leaders back the Alliance, are lukewarm, or seek to defeat its goals?

b. Are there identifiable individuals within politically significant groups who distinguish themselves by their commitment to reform and their skill at melding diversity into a coalition of moderate, progressive forces? Can we identify centerist and left-of-center leaders whose positions can be strengthened by our support? Identify those special cases where reinforcement should be covert, rather than overt.

c. Within the military area, who are the most important individuals? Who are the ones we can work with?

d. Within the business community, and among large land-holders, are there important leaders with whom we can work? Are there antagonists to the Alliance whom we might be able to neutralize through discreet efforts?

e. Who are the Church, labor, academic and other leaders most in favor of the Alliance, most opposed? Of those most in favor, how do we estimate their personal combinations of will to modernize and skill to bring modernization about? How can we increase their will and skill?

f. How

CONFIDENTIAL



CONFIDENTIAL

-9-

f. How do we assess the capacity and courage of the leaders favorable to the Alliance to take steps which might produce some distress to their backers or other groups?

g. How well do we know the individuals described in the foregoing categories? Are there institutional limitations in our Embassy, USOM, USIS, etc. operations which limit our effectiveness in making these close personal judgments? Does the host government limit our contacts with significant leaders? Are some important adherents of the Alliance in political exile or in hiding? Are our representation and other personalized funds (leader grants, etc.) sufficient to establish and maintain close contact with the leaders we judge significant for the Alliance effort? Is our biographic reporting reasonably current on these key people?

h. Are we properly deployed from a technical point of view? Are our economic officers capable of dealing with development planners, our political analysts with politicians and leftists, our cultural attaches with professors and students? Do we meet effectively with union leaders and journalists? Do we have proper geographic coverage, including important urban and rural areas away from the capital?

i. Who are the leaders in the resident American community? Does the nature of American business relations with the country converge

or

CONFIDENTIAL

CONFIDENTIAL

-10-

or diverge from the Alliance? How can we enhance the position of individuals and firms who favor Alliance goals? Should we discreetly undercut those who are vocally ranged against the Alliance? Are close Mission-community relations beneficial to either party or counterproductive?

2. Groups: (In the discussion of groups in the country, where possible indicate the magnitude of group membership, and identify leading progressive members of the group.)

Are the major political, economic, social and religious groups accessible to the United States? Does the Alliance make their identification with the U. S. more palatable?

In general, to what extent are these groups clusters of individual factions? Can individual factions be brought together for joint Alliance efforts? Do larger groups cooperate with each other for progressive goals? Can they be led to increased cooperation?

a. Political groups.

(1) What groups are rising in influence and which ones are declining? Are these changes the result of improved or faltering skill at political organization or of socio-economic changes? How are these groups now combined into coalitions and what are likely combinations for the future? How dependent are these groups upon individual leadership? How strong are political party structures?

(2) What

CONFIDENTIAL

CONFIDENTIAL

-11-

(2) What groups are the principal voices of opposition to the present regime? Identify major protest movements and the grounds for their support. Are there real socio-economic issues or merely agitational skills explaining the strength of political opposition and protest movements?

(3) What is the structure of the Communist movement? What are its principal tactics? What is its ability to capitalize on popular grievances to attract support of more moderate groups? What Communist demands could be espoused by the United States or native leaders in the country? Are there specific Communist demands or claims which should be frontally attacked or exposed?

(4) Evaluate the effectiveness of groups in the "vital center" between the Communist left and far right. How can their capacity for sustained political influence be improved?

b. The Military.

(1) What is the power and political orientation of the military establishment? Can it maintain domestic security against national dissidents? Does it support the current regime? Is there a split between the views of Army, Navy, Air Force?

(2) What are the social origins of the military officers: peasant, urban, lower class, middle class? Do significant members of the military intend to dominate the country's political atmosphere as a normal thing

CONFIDENTIAL

CONFIDENTIAL

-12-

thing or only in case of last resort? Is a man with military background favored or unfavored by his career in a national election?

(3) Are there military factions which might assist the Alliance? Are they relatively strong or weak? Does our military mission in the country encourage civic action policies on the part of the local military? Would further engagement of the military in development programs be useful?

c. The Church.

What political role does the Church play? Is the Church taking steps which parallel Alliance efforts? Are Church lands or other resources being employed to widen social justice? Is the Church well-regarded, or would identification of it with the Alliance impede reforms?

d. Business Community.

(1) Is this a single group for political purposes, or a collection of independent factions? Do these groups have a favorable public image? Is this sector viewed as principally exploitative in nature? Is there a trend toward more government ownership of business? Can progressive groups trust the business community to assist reform measures without close government controls?

(2) Is the business group betting on the country, or sending capital abroad? Can this group be encouraged to keep more capital at home? How does the community view foreign investment? The Alliance?

e. Large

CONFIDENTIAL

CONFIDENTIAL

-13-

e. Large Landholders.

(1) Is this a single group? What is its public image - is it viewed as principally exploitative? Is there a trend toward more government ownership of land, or of private land sales to small holders? Can the large landholders be trusted to assist reform measures without close controls?

(2) Is the landed group betting on the country, or sending capital abroad? Can this outflow be checked by persuasion or are controls necessary? How do the landholders view the United States? The Alliance?

f. Trade Unions.

Is the union movement important? Who controls it - the government, employers, political party, workers, or international labor movements? How do the unions view the Alliance? Is their support important to Alliance efforts? Can we bring our programs closer to the needs of this group?

g. Education (Teachers and Students).

Are these groups important? Are there important differences between primary, secondary and university teachers? Their students? Are member views split at the higher levels of education between extreme left and more moderate views? Is the support of the educational sector important to Alliance efforts? Can we draw closer to the educational sector in return for Alliance assistance?

h. The

CONFIDENTIAL

CONFIDENTIAL

-14-

h. The Bureaucracy.

Is this group important? How does it view the Alliance?

Is its support important to Alliance efforts? Does the bureaucratic element have any special goals, such as the establishment of a civil service system? Can we assist this group toward its goals within the Alliance framework?

i. The Press.

Who controls the press? Does the government maintain or subsidize its own journals, and are these important? Is the press generally regarded as truthful? How do journalists view the Alliance? Does editorial policy coincide with these views? How can we mobilize the press to increasingly favor Alliance goals and publicize its achievements?

j. The Illiterate Adults.

(1) How large a proportion of the country's adults are illiterate? Has the country devised community ways to resolve their local grievances, or is relief highly centralized in the national government? What is the magnitude of the ethnic split between "indians", "mestizos" and "whites"? Does illiteracy correlate closely to the ethnic and linguistic split?

(2) Is there a distinctive difference between urban and rural residents of comparable incomes? Does such a difference make the urban areas

CONFIDENTIAL

CONFIDENTIAL

-15-

areas a magnet for unusually large population growth? What Alliance efforts appear best-designed to reach illiterates in the urban environment, in rural areas?

k. The Agricultural Workers.

Aside from the insights provided in the category of illiterate adults, can we identify:

- (1) The pressures for land reforms among types of agricultural labor and its geographic locality?
- (2) The general productivity of the agricultural workers, and whether this is likely to be raised by contemplated actions of the current government, landholders, or US assistance?
- (3) Are these peasant organizations of political importance?

3. Mass Dynamics and Established Order: (This series of questions seeks to explore how people from the broad masses of the population become politically relevant in the expanding national society. It is not concerned with the sons of landholders, for example, who merely inherit their fathers' role in politics and other forums.)

- a. What steps does the government take to recruit new members to its support? Does it solely rely on bureaucratic payrolls? Does it use state-controlled education? Does it try to channel the disaffected and disoriented

CONFIDENTIAL

CONFIDENTIAL

-16-

disoriented to its predominant political organization? Or does it try to operate on a narrow, tested membership base and rebuff new entrants?

b. Do the political parties actively and steadily recruit new members? Do their programs offer the individual a sense of social participation?

c. Do other established groups (business community, landholders, trade unions, educators) seek to recruit new members? Can they process the new entrants into assets for group activity? Or do these groups ward off new entrants?

d. If significant numbers of the population have no group with which to affiliate, do they:

(1) Tend to fall back on close family and geographic ties? If so, are they socially neutralized?

(2) Or do they form new social grievance groups? Are they attracted to mob participation by agitators?

(3) Do these solutions fill their needs or are more lasting ties possible under Alliance auspices?

4. Institutional Capacity for Development.

a. The Public Administration.

(1) Over-all, what are the strengths and weaknesses of the administration for developmental functions? Which functions are most likely to be

CONFIDENTIAL



CONFIDENTIAL

-17-

to be effectively carried out with present cadres and organizations?  
Which Ministries are most competent, in terms of personnel, executive energy, clarity and relevance of operating concepts? Which are least? How do these relate to priority sectors of economic development?

(2) What elements of the administration are the government's most effective links with the urban and rural masses? Does the Army have special non-military administrative roles? What are these? Could it be better utilized for civic purposes, or would this conflict with what is politically desirable?

(3) What are the trends?

b. The Planning Process.

(1) Evaluation of technical capabilities, including political positions of planners, political acceptability of planning in different sectors of the economy.

(2) Where are the Innovators? - among politicians, civilian administrators, the military, elements of the business community (including foreign), universities. Are they identifiable in their political leanings, their regional background, their training and recruitment? How can their hand be strengthened? Any such measures as leadership grants, improved local training, etc.

(3) What is the record on implementation of planning? Does the government translate plans to action? Does the private sector?

Do

CONFIDENTIAL

CONFIDENTIAL

-18-

Do rural plans get to the implementation stage? Do results meet planned outcomes?

c. Knowing Public Needs.

(1) How does the government determine public needs?

What devices exist for learning the developmental desires of the people in development activities? Legislators, the press, protest groups, rural cooperatives, etc., may consciously do so; or there may be no effort to involve people in the defining of development objectives or the implementing of development policies.

(2) How does our Mission determine what the country needs in Alliance terms? Do we have a mental master plan and encourage the government to meet it with specific requests? Do we react solely to government-initiated requests? Or does the Mission feel that the scope of cooperation is predetermined by previous Washington commitments?

d. The Educational System. (This question concentrates principally on secondary education, technical and vocational schools, and the universities.)

To what extent does the educational system provide the personal values and the skills needed for modernization and development? Does it produce more claimants to prestigious positions than there are opportunities? How are ambitions, skills, and opportunities matched?

What

CONFIDENTIAL

CONFIDENTIAL

-19-

What is the nature of the curricula employed in the country? Is there a textbook shortage? Are texts provided by the Communists? Is there a significant floating population of part-time teachers and part-time students? How can U. S. program help deal with these problems?

B. The Trend of Politics.

1. How close to the surface is revolution? What are the principal thrusts of revolutionary discontent? Can these be moderated within the Alliance framework? Or should they be left to work themselves out? If a revolution appears imminent, should we avoid over-close identification with the current regime?

2. What classes and social groups are growing in power and which ones are declining? What are the developmental implications of these shifts in power?

3. To what extent are the extreme right and extreme left combining to immobilize centrist efforts? What measures can be taken to encourage the development of a moderate regime?

4. What operational problems does the country face in getting a broader base for the national government? What are the arguments for enfranchising illiterates or disenfranchising them? What effort is being made to decrease illiteracy and is this a high priority goal of each political party? Who votes? Do the voters represent a good national cross-section?

5. Is

CONFIDENTIAL

CONFIDENTIAL

-20-

5. Is there broad national consensus favoring modernization? The Alliance? Or is the commonwealth so fragmented that there is rarely a national consensus?

6. Identify the role of nationalism. Are its manifestations aiding or weakening the Alliance?

7. Within the framework of the country's history and current political trend, try to identify the following extreme potential configurations in terms of people, parties, supporting groups. Are any of these extremes more likely than another?

- a. An old-style, rightist dictatorship friendly to U. S.
- b. A Peron-style, leftist dictatorship of neutralist hue.
- c. A Castro-type leftist dictatorship which is anti-U.S.

and pro-Communist or Communist-controlled.

C. Refocus on the Alliance and Specific Programs. (Questions covering specific quantitative measures of self-help and social reform are in the next section.)

1. Identify in the order of priority those reforms and self-help measures which are significant primarily for (i) political and (ii) economic development reasons.

2. How does the pattern of power distribution sketched above relate to these desirable changes? Do the top influentials and their political lieutenants support, reject or simply ignore such measures?

If the top leaders back these measures, what elements of  
their

CONFIDENTIAL

CONFIDENTIAL

-21-

their indispensable political support would fall away if alternative development measures were adopted?

3. Where do the Church, the Army, the trade unions, the universities and the business community stand in relation to them? Can you specify which measures of reform and self-help these groups now support? Oppose? What real interests or ideological attachments explain these attitudes? What steps by the U. S. might affect their response to the Alliance measures most applicable to country?

4. If certain Alliance measures appear to have high priority for purposes of economic development, what would be the political and diplomatic costs of implementing them? Conversely, what are the likely political consequences during the next decade of a continuation of (a) present levels of economic activity? and (b) the existing distribution of powers?

III. ECONOMIC AND SOCIAL ELEMENTS

A. Level of Economic and Social Development.

The following quantitative indices and qualitative analysis called for are suggested as a minimum. There may be others relevant for the particular country.

1. What is the country's GNP per capita? What special exchange rates problems are involved in converting GNP into dollar terms? How reliable are the GNP population estimates? What is the per capita GNP in  
the

CONFIDENTIAL

CONFIDENTIAL

-22-

the urban areas? What is it in the rural areas?

2. What is the output in KW-hours of power on a per capita basis? Can this be considered a reflection of urbanization and industrialization or is it largely explained in terms of the power consumption of a single industry?

3. What percentage of the labor force is employed in agriculture? How much of this labor force so employed can be considered to be a part of commercial agriculture tied to the money economy and how much to a subsistence agriculture? What percentage of the labor force is employed in industry?

4. What is the number of motor vehicles per thousand of population and what is the number of telephones per thousand of population? Can these indices be considered as a reasonable reflection of the extension of the road transportation system and of the importance of an urban middle class group?

5. What percentage of the population is literate, and what, in general terms, are the criteria used to define literacy? How reliable are literacy data in relation to these criteria?

6. What proportion of the various skills presently employed in the economy--engineers, agricultural technicians, machinists, etc.--are being produced by the educational system?

7. What judgment can be made of the levels of mass consumption and general welfare as given by indices of per capita consumption of food, textiles, and housing and by non-quantitative welfare measures in the urban and rural areas?

8. An

CONFIDENTIAL

CONFIDENTIAL

- 23 -

8. An analysis of the size, composition (domestic, foreign) and vigor of the entrepreneurial groups.

9. An assessment of the level of organizational competence of the government ministries and agencies considered of critical importance for development effort. The stress here should not be in terms of their inadequacies because it would seem to be a foregone conclusion that this would be a characterizing feature in most of the countries concerned, but rather how much has already been achieved.

B. Character of the Growth Process During Past Decade (1951-1961)

In order to assess the nature and magnitude of the development problems currently facing the country, a need for a broad examination of the experience of the past decade is indicated.

1. An analysis of major trends in terms of the following aggregates:

a. What has been the magnitude of GNP in constant prices in each of the last ten years, and what has been the growth rate from year to year?

b. How has the agricultural, industrial and electric power production index moved in the comparable period; and what has been the growth rate from year to year?

c. What has been the magnitude of gross domestic savings,

and

CONFIDENTIAL

CONFIDENTIAL

-24-

and their share in GNP in constant (1959) prices in each of the past ten years? What has been the magnitude of gross investment, and its share in GNP in constant prices over the same period? From these data, what is the magnitude of the marginal propensity to save, i.e., the ratio between changes in gross savings and changes in GNP from year to year?

d. What is the magnitude of domestic tax and other government revenues, and their share in total government expenditures for each of the past five years? How much has this ratio changed from the beginning to the end of that period?

e. How has the index of the quantum of exports changed from the 1957-58 period to the 1960-61 period?

f. What is the number of students receiving post-primary education per thousand of population? How reliable are these educational statistics? Do the data provide a basis or establish a trend during the past decade?

g. The movement of prices and employment (1950-1960).

2. An analysis of the major trends of (1) above in terms of the underlying rigidities, structural imbalances or other obstacles to more rapid growth that have emerged in the past decade.

c. Problems of Low rate of growth

Where the economy has been characterized by a period of sustained stagnation (per capita income constant or declining over a period of at least

CONFIDENTIAL



CONFIDENTIAL

-25-

least five years), or gives evidence of entering such a period, what are the critical factors explaining this? The following or other factors may be relevant in this analysis.

1. External factors.
  - a. Decline in foreign market.
  - b. Change in terms of trade.
2. Lag of the Agricultural Sector.
3. Government Policy.
  - a. Development Policy.
  - b. Financial Policy.
  - c. Policy toward private sector.
  - d. Social Policy.
4. Private Sector.
  - a. Appreciable capital outflows or sharp falls in the inflow of capital due to political insecurity or shifts in the opportunity costs of capital.
  - b. Revision downward of entrepreneurial expectations due to narrowness of domestic market.
  - c. Fall in private investment due to rapidly rising costs reflecting bottlenecks, unavailability of finance, cartel dominated industry, etc.
  - d. Increasing

CONFIDENTIAL

CONFIDENTIAL

-26-

d. Increasing share of the increments of income accruing to social groups with a low saving propensity.

D. Economic Growth and Social Discontent

As a result of the inequities of the growth process as well as the unsettling of traditional social relations that are a part of it, social discontent has become an increasingly important part of the political landscape. The following questions are intended to focus on the nature, order of magnitude of such discontent and its relation to the development process.

1. Is the social discontent largely concentrated in the urban or rural areas?

a. If in the rural areas, does it reflect?

(1) A failure of a rise in productivity and therefore income?

(2) An increasing discontent with the existing tenure system?

(3) A failure of the government to reach into the area substantially with programs that directly affect the welfare of the peasants, such as: community development, public health, etc.

b. If the social discontent is largely concentrated in the urban areas, is it due to:

(1) A failure on the part of the government to undertake sufficiently large social overhead expenditures?

(2) Or to

CONFIDENTIAL

CONFIDENTIAL

-27-

(2) Or to the wrong kind of social overhead expenditure?

(3) Large scale unemployment?

(a) Open or disguised unemployment in the urban areas?

(b) Under employment in the rural areas?

(c) Under employment of specific significant social groups?

(4) Persistent increases in the cost of living due to inflationary financing of the development process?

Which groups particularly?

Middle class? Working class?

(5) Restricted opportunities of educated or semi-educated groups due to

(a) Wrong kind of education?

(b) Pattern of development expenditures?

(6) The small businessman as an important element in the social discontent? Due to

(a) Inaccessibility of credit?

(b) Other factors?

(7) Changes in personal income distribution and/or consumption.

(a) What

CONFIDENTIAL